

Thank you Chairman Talent and Ranking Member Baucus for the opportunity to testify before your subcommittee concerning a national animal identification plan and the many issues surrounding the implementation of such a program. I am Ron Ostberg, a cattle producer from west central Montana. I am here today to testify on behalf of the National Farmers Union, of which I am a lifetime member.

Members of National Farmers Union are currently gathering in Billings, Montana for the 102nd anniversary convention to debate and develop National Farmers Union's 2004 policy, including the numerous topics that have been pushed to the forefront of national discussion since a bovine spongiform encephalopathy positive cow of Canadian origin was discovered in Washington State.

I will highlight five of the major concerns National Farmers Union (NFU) has relative to the many animal identification proposals being considered and explain why these concerns must be addressed before any national animal identification program that is further pursued or implemented. Our concerns include:

1. Ability of an identification program to enhance both food safety and animal health;
2. Cost burden of implementation and maintaining an ID system on livestock producers;
3. Confidentiality of proprietary information collected;
4. Producer liability protection;
5. Relationship of an animal identification program to country-of-origin labeling.

Most observers would agree that an animal identification program could provide a valuable trace-back capability to help identify the source of many food safety problems. However, we must recognize that an identification system does not by itself improve food safety; resolve animal health issues; or convey new information to consumers, particularly if the identification information ends at the processor level. Unless the identification program is coupled with expanded capacity for testing, new requirements governing the transfer of products from the processor to the retailer/consumer and an enhanced product recall system, it remains questionable whether any identification system would meet the expectations of producers, processors or consumers. We believe this concern must be fully considered and the limitations of any animal identification plan clearly explained to all parties directly involved and to the public.

Clearly, the cost of development and implementation of an ID program is of great concern to livestock producers who will be on the front lines of the program's initiation. NFU is concerned that a disproportionate amount of the costs associated with an animal ID system will fall on producers, particularly smaller producers in a way that makes them less positioned to

remain competitive in the marketplace. Late last year, Secretary Veneman announced USDA would accelerate implementation of a verifiable national animal identification program and shortly thereafter released the proposed fiscal year 2005 agriculture budget, which included \$33 million for implementation of such a program. However, USDA Chief Economist Keith Collins recently stated before the Senate Appropriations Committee that the \$33 million funding request for fiscal year 2005 accounts for only a portion of the cost of a national system. According to USDA, a livestock identification system is estimated to cost from \$70 to \$120 million per year. To the extent such a program is viewed in the national interest, NFU believes it may well be appropriate for the public to bear a substantial portion of both the development costs as well as those associated with the day-to-day management of the program.

Any effective trace-back program runs the risk of compiling information that may be unfairly and improperly accessed and utilized by others. We are very concerned that a system which is maintained outside of a public agency such as the U.S. Department of Agriculture creates an inherent risk to participants that private or proprietary information could be divulged in a way that is detrimental to individual firms or to the operation of a local, regional, national or international market.

Assuming an animal identification system does in fact enhance our capacity to detect and control those commodities or products which may have adverse food safety, human or animal health implications, the issue of legal liability must be considered. It should be expected that the use of a trace-back system will prompt parties to attempt to establish that any products which do not meet safety and health standards resulted from actions taken by others within the food system. Because the potential costs of identified food safety and health issues can be significant and will tend to increase as products move through the food chain, we are concerned about the process that will be utilized in establishing any liability and the potential financial obligations the process could create for market participants.

Finally, we believe Secretary Veneman should immediately implement mandatory country-of-origin labeling as directed in the 2002 farm bill. The Secretary has the congressional authority and discretion to implement this program in a common-sense manner that bears minimum burden and cost on producers, processors and retailers. Despite the two year delay of implementation of country-of-origin labeling included in the fiscal year 2005 omnibus appropriations bill, the law still requires USDA to move forward in promulgating a final rule by September 30, 2004. After the labeling program has been implemented and at the point an animal identification program is up and running, we believe it is necessary to coordinate the two programs, so that U.S. livestock producers will not again find themselves "paying the bill" for the benefit of processors and retailers without achieving any market benefits. We would like to see the information gathered through a national animal identification program maintained and utilized to augment mandatory country-of-origin labeling at the retail level.

It is our hope that the discussion of implementing an animal identification program does not

become another excuse for the Administration to delay implementing the already mandated country-of-origin labeling law. American agriculture producers want a labeling program, the American consumer wants a labeling program and our trading partners want a labeling program. When the two programs are coupled, consumers will be better able to select food products with the knowledge that new steps have been taken to strengthen our capacity to identify and contain food pathogens or other food safety factors prior to products reaching the retail market.

While NFU's 2004 national policy is being developed over the weekend in my home state of Montana, the concerns that I have highlighted here today remain to be answered by the officials pursuing a mandatory animal identification program. National Farmers Union will forward a copy of the soon-to-be adopted grassroots policy to members of the committee so that we can work together in establishing national policy that benefits rural America. It is the hope of National Farmers Union that full consideration is given to all of our concerns before any legislative or administrative action is taken to implement such a program.

Thank you for this opportunity to testify before you today. National Farmers Union and I look forward to working with the members of this subcommittee and other members of Congress as development of an identification system moves forward.